



ADMINISTRATIVE POLICY
City of Wilmington

EFFECTIVE DATE: <i>11.01.2008</i> <i>Amended 1.4.2010</i>	APPROVED BY: <i>Sterling Cheatham</i> <i>City Manager</i>	POLICY NUMBER: 111
SUBJECT: <i>Fraud Policy</i>		

1.0 PURPOSE

The purpose of this fraud policy is to affirm that fraud and corruption will not be tolerated and spell out the consequences of fraud and corruption. It also sets out the framework to ensure a timely and appropriate response to instances of alleged fraud or corruption.

The overall purpose is to limit the City's exposure to fraud and corruption and to minimize financial loss and the potential adverse affects on the City's image and reputation in the event of their occurrence.

2.0 APPLICABILITY

This policy applies to all Employees of the City of Wilmington. Citizens may use the procedures established by this policy to report instances of alleged fraud and corruption.

3.0 FRAUD POLICY

The City of Wilmington will:-

- Institute and maintain cost effective measures and procedures to deter fraud and corruption.
- Take firm and vigorous action against any individual or group perpetrating fraud against the City.
- Encourage employees to be vigilant and to report any suspicion of fraud and corruption, and provide suitable channels of communication and ensure sensitive information is treated appropriately.
- Rigorously investigate instances of alleged fraud and corruption, take the appropriate disciplinary actions and to seek restitution of any City asset fraudulently obtained together with the recovery of costs.
- Assist law enforcement and all other appropriate authorities in the investigation and prosecution of those suspected of fraud or corruption.

4.0 FRAUD STRATEGY

4.1 INTRODUCTION

The City of Wilmington's Fraud Policy is aimed at addressing the following types of irregularity:

Fraud	"The intentional distortion of financial statements or other records by persons internal or external to the organization which is carried out to conceal the misappropriation of assets or otherwise for gain."
Corruption	"The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of a person."
Theft	"The dishonest appropriation of property belonging to an individual or organization with the intention of depriving the organization permanently of its possession."

*These definitions are adopted for the purpose of this policy only and are not intended to modify or supersede existing City policies and ordinances.

Fraud and Corruption may include but are not limited to the following:

Systems Issues - Where a process/system exists which is prone to abuse by either employees or the public.

Financial Issues - Where Employees have fraudulently obtained money from the City.

Equipment Issues - Where the City's equipment is used for inappropriate personal use.

Resource Issues - Where there is a misuse of resources, (e.g. theft of materials).

Other Issues- Activities undertaken by Employees of the City which may be: unlawful; against the City's policies, in violation of established standards or practices; or otherwise improper conduct.

The policy includes the following elements:

- Core Values
- Reporting
- Prevention (e.g. effective internal control systems)
- Detection and Investigation
- Training

These elements are supported by extensive internal and external scrutiny of the City of Wilmington's affairs by a range of bodies and individuals, including:

- The City Manager and Departments
- City of Wilmington Taxpayers
- City of Wilmington Service Users
- The Internal Audit Division
- City Council
- City Council's Audit Committee

4.2 CORE VALUES

The City of Wilmington's Core Values are intended to foster honesty and integrity. Employees are expected to lead by example in adhering to laws, ordinances, regulations, procedures and policies.

Employees shall embrace the City of Wilmington's Core Values to further the City's Mission which is, "To provide quality services which enhance the safety, livability, and prosperity of the community." The City's Core Values are:

- Respect
- Professionalism
- Integrity
- Service
- Safety

As part of the City's Mission and commitment to the Core Values, the City will provide clear procedures by which concerns can be raised by Employees, Citizens, and others outside the City.

Department Heads and/or Supervisors will be expected to deal promptly and firmly with those who defraud the City or who are corrupt.

***Additional Note: Where applicable, members of the public, clients and external organizations (such as vendors and contractors) are expected to act with integrity and without intent to commit fraud or corruption against the City in any dealings they may have with the City. If any event of Fraud or corruption is detected from an external level the appropriate external contacts will be made and the appropriate internal actions will be performed to further prevent any fraudulent actions in the future.*

4.3 REPORTING

Employees and the general public are important elements in the City of Wilmington's stance on fraud and corruption. They are encouraged to raise any concerns they may have about fraud and corruption via:

- Department Managers / Department Heads / Division Heads / Division Managers
- Immediate Supervisors
- Internal Audit Division
- Internal Audit Fraud, Waste and Abuse Hotline (910-772-4120)
- City Manager
- City Council Members

Employees shall report any alleged instances of fraud or corruption to their supervisors. (If the instance involves the employee's supervisor, the report shall be made directly to the department manager.) Upon receipt of a report, the supervisor shall immediately give notice of the reported instance to the employee's department manager. Department Managers and Department Heads are responsible for following-up any allegations of irregularity. It is their responsibility to inform the Internal Audit Division immediately. The instance also may be reported to the City Attorney or the City Manager. Public reports of fraud or corruption shall be referred to the Internal Audit Division.

Retaliation against any employee who files a report or voices a concern under this policy is strictly prohibited. Employees determined to have engaged in retaliatory behavior or who fail to maintain an employee's anonymity if requested may be subject to discipline, which could include termination of employment. Any employee who feels that he or she has been subjected to any behavior that violates this policy should immediately report such behavior to his or her supervisor, Human Resources Internal Audit Division, or the City Manager. *Please note that employees, who knowingly file misleading or false fraud or corruption reports, or file reports without a reasonable belief as to truth or accuracy, will not be protected by this policy and may be subject to appropriate disciplinary actions.*

To the extent permitted by law, reports of fraud and corruption will be treated in confidence. Such reports will be properly investigated.

The City of Wilmington and its Executive Management Staff will deal firmly with any proven Fraud or Abuse. Where, after a proper audit investigation has been performed by the Internal Audit Division or an approved external auditor, evidence is identified that fraud or corruption has or is occurring the City shall refer the matter to Local Law Enforcement. Law Enforcement will pursue further investigation and to pursue criminal charges if considered appropriate.

Where the outcome of the audit or law enforcement investigation indicates improper conduct by an employee, the City's disciplinary process will be utilized by the Department Head of the affected Department, regardless of the disposition of any criminal charges. The matter will be referred to the City Attorney's office for the recovery of lost funds or property.

When it is determined that fraud or corruption has occurred due to a breakdown in the City's systems or procedures, Department Directors, in consultation with the Finance Director, Internal Audit Division and the City Manager, shall be responsible for ensuring that appropriate improvements in the effectiveness of the internal control systems are implemented in accordance with any audit recommendations.

4.4 PREVENTION

The City of Wilmington's Internal Audit Division performs program reviews throughout Departments City-wide. The Internal Audit Division will review programs that are closely aligned with the organization's risk-base that are designed to assure the effectiveness of the internal control systems. The internal control systems are based on on-going processes designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing the risk of fraud and/or corruption is part of this process.

Employees are expected to operate within the following guidelines:

- A key measure in the prevention of fraud and corruption is to take effective steps at the recruitment stage to hire individuals with integrity, clear up prior criminal history or suspicion prior to offering employment within the City of Wilmington.
- Employees, once recruited, are expected to adhere to the City's Core Values, ordinances, administrative policies and state law and to follow standards of conduct issued by their Departments.
- Disciplinary Procedures for all categories of Employees will be utilized to address improper conduct.

4.5 DETECTION AND INVESTIGATION

Subject to the requirements of state and federal law and the City's Identity Theft Prevention Program, the City of Wilmington will actively participate in an exchange of information with external agencies on fraud and corruption activity in relation to public bodies.

The operation of preventative systems, particularly internal control systems, within the City of Wilmington, help to deter any fraudulent activity. However, such activity may nevertheless occur. It is often the alertness to the possibility of fraud and corruption by City Council Members, employees and the citizens of Wilmington that lead to the detection of financial irregularities. This policy ensures that the City of Wilmington has procedures in place to detect, investigate, and address fraud and corruption in a timely manner.

The Internal Audit Division shall be notified immediately of all financial or accounting irregularities or suspected irregularities or of any circumstances that may suggest the possibility of irregularities, including those affecting any City of Wilmington Department that accepts payments from City customers.

Reporting of suspected irregularities is essential as it:

- Facilitates a proper investigation by experienced staff, and;
- Ensures the consistent treatment of information regarding fraud and corruption.

When notified, the Internal Audit Division will investigate any allegations or tips that fraud and/or corruption is occurring. The Internal Audit Division will:

- Work with appropriate department heads to deal promptly with the matter
- Gather evidence
- Record any evidence received.
- Ensure the security and, to the extent permitted by law, the confidentiality of the evidence received.
- Work closely with Department Heads in the concerned area and other agencies, such as Police when necessary, to ensure that all issues are properly investigated and reported upon.
- Report any such Allegations and Findings to the City Manager.
- Ensure maximum recoveries are made on behalf of the City of Wilmington, when appropriate.
- Advise the Department Heads and City Manager on appropriate disciplinary actions.

4.6 TRAINING

An important contribution to the continuing success of a fraud strategy, and its general creditability, lies in the effectiveness of programmed training of Employees throughout the organization.

This will be achieved through development of both induction and refresher training for all personnel involved in internal control systems to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

The investigation of fraud and corruption rests with the Internal Audit Division and other Departments where it is deemed appropriate. It is essential that there are an adequate number of trained Employees able to undertake this work, and this requirement is reflected in the training plans of the Internal Audit Division.

4.7 CONCLUSION

The City of Wilmington has in place a clear network of systems and procedures to prevent and detect fraud and corruption.

These policies should keep pace with any future developments in techniques for preventing and detecting fraudulent activity.